

# *Marathon Area Fire Authority*

**Lapeer County, Michigan**

Audited Financial Report  
December 31, 2006

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name <b>Marathon Area Fire Authority</b>	County <b>Lapeer County</b>
Fiscal Year End <b>December 31, 2006</b>	Opinion Date <b>May 17, 2007</b>	Date Audit Report Submitted to State <b>May 18, 2007</b>	

We affirm that

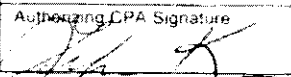
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- 1 ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - 2 ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - 3 ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - 4 ☒ ☐ The local unit has adopted a budget for all required funds.
  - 5 ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - 6 ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - 7 ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - 8 ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - 9 ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - 10 ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - 11 ☒ ☐ The local unit is free of repeated comments from previous years.
  - 12 ☒ ☐ The audit opinion is UNQUALIFIED.
  - 13 ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - 14 ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - 15 ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe):	<input type="checkbox"/>		
Certified Public Accountant (Firm Name): <b>Lehn L. King, C.P.A.</b>		Telephone Number: <b>989-635-3113</b>	
Street Address: <b>3531 Main Street</b>		City: <b>Marlette</b>	State: Zip: <b>MI 48453</b>
Authorizing CPA Signature: 		Printed Name: <b>Lehn King</b>	License Number: <b>A248781</b>

**Marathon Area Fire Authority**  
Annual Financial Report  
For The Fiscal Year Ended December 31, 2006

**Table of Contents**

	<u><b>Page Number</b></u>
<b>I. Independent Audit Report .....</b>	<b>1</b>
<b>II. Management's Discussion &amp; Analysis (Required Supplementary Information) .....</b>	<b>MDA II - V</b>
<b>III. Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Assets.....	2
Statement of Activities.....	3
Fund Financial Statements:	
Government Funds	
Balance Sheet.....	4
Reconciliation of Fund Balances to the Statement of Net Assets.....	5
Statement of Revenue, Expenditures, & Changes in Fund Balance.....	6
Reconciliation of the Statement of Revenue, Expenditures, & Changes In Fund Balances of Governmental Funds to the Statement of Activities.....	7
Notes to Financial Statements.....	8-14
<b>IV. Required Supplemental Information.....</b>	<b>15</b>
Budgetary Comparison Schedule	
General Fund.....	16

# MARATHON AREA FIRE AUTHORITY

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Marathon Area Fire Authority ("Authority"), Marathon Township, Lapeer County, Columbiaville, Michigan, we offer readers of the Authority's financial statements this narrative overview and analysis of the Authority's financial activities for the fiscal year ended December 31, 2006. We encourage readers to consider the information presented herein in conjunction with the Authority's financial statements.

### FINANCIAL HIGHLIGHTS

- The Authority's total net assets increased \$20,275 or approximately 3%, over the course of the year. This increase was the result of actual operations for the year having excess revenues over expenditures.
- Net Operating Revenues (excluding grant income) increased \$16,233 over the prior fiscal year.
- Total Operating Expenses (excluding grant expenditures) decreased \$39,008 from the prior fiscal year.
- There were no Grant Revenues compared to \$137,840 in the prior fiscal year.
- There were no Grant Expenditures compared to \$137,840 in the prior fiscal year.

### USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise two components: (1) government-wide financial statements, and (2) notes to the financial statements. It also contains other supplemental information to provide a greater detail of the data presented in the basic financial statements.

#### Government-wide Financial Statements

Government-wide financial statements provide information about the activities of the Authority, presenting a broad long-term overview of the Authority's finances, in a manner similar to a private-sector business. This longer-term view uses the accrual basis of accounting, so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Statement of Net Assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether the financial position of the Authority is improving or deteriorating.

The Statement of Activities presents information showing how the Authority's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The Balance Sheet and the Statement of Net Assets and the Statement of Revenues, Expenditures and Changes in Fund Balances report the governmental activities for the Authority, which encompasses all of the Authority's services.

#### Reporting the Authority's Most Significant Funds – Fund Financial Statements

The Authority's fund financial statements provide detailed information about the most significant funds, not the Authority as a whole.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law.

These fund financial statements present a short-term view; they tell us how the Authority's resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide financial statements by providing information about the Authority's most significant funds.

The Authority operates using a single fund type:

Enterprise Funds – The Authority maintains one type of enterprise fund to account for its services. Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail.

#### Notes to the Financial Statements

The notes that follow the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

#### THE AUTHORITY AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position.

The following table shows, in a condensed format, the net assets as of December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Current Assets	\$ 176,944	\$ 92,331
Capital Assets – Net of Depreciation	525,917	590,528
<b>Total Assets</b>	<u>702,861</u>	<u>682,859</u>
<b>Liabilities</b>		
Current Liabilities	12,494	12,767
Long-term Liabilities	-	-
<b>Total Liabilities</b>	<u>12,494</u>	<u>12,767</u>
<b>Net Assets</b>		
Invested in Capital Assets	525,917	590,528
Reserved	90,500	-
Unrestricted	73,950	79,564
<b>Total Net Assets</b>	<u>\$ 690,367</u>	<u>\$ 670,092</u>

The Authority's total net assets reported in the Statement of Net Assets increased \$20,275 over the prior fiscal year due to revenues exceeding expenditures from operations.

The following table shows the changes of the net assets during the fiscal year ending December 31, 2006 and 2005.

	<u>2006</u>	<u>2005</u>
<b>Revenue</b>		
Special Assessments – Marathon Township	\$ 140,288	\$ 142,987
Standby Fees – Oregon Township	25,000	20,000
Fire Run Charges & Miscellaneous	31,034	17,102
Total Revenues	<u>196,322</u>	<u>180,089</u>
<b>Expenses</b>		
Operating Expenses	<u>178,410</u>	<u>217,418</u>
<b>Income (Loss) from Operations</b>	17,912	(37,329)
<b>Non-operating Revenues (Expenses)</b>		
Grant Income	-	137,840
Interest Income	<u>2,363</u>	<u>1,810</u>
<b>Non-operating Income</b>	<u>2,363</u>	<u>139,650</u>
<b>Change in Net Assets</b>	<u>\$ 20,275</u>	<u>\$ 102,321</u>

The Authority's operating revenues, shown in the Statement of Revenues, Expenditures and Changes in Fund Balances increased \$16,233 over the prior fiscal year.

The operating expenses of the Authority decreased by \$39,008 over the prior fiscal year. This decrease is due in part because of decrease in wages, utilities, and repairs. These decreases are due to strong monitoring of expenses so as not to expend more than what was anticipated to be received by the Authority. The Authority was aggressively setting funds aside for much needed capital expenditures (i.e., replacement of vehicle at the Columbiaville station, equipment needed for both stations and renovations and repairs to the Columbiaville fire station building). Because of delays with engineering work on the Columbiaville hall and delay in purchasing equipment, these expenditures did not occur until early 2007 fiscal year. The Authority took action to restrict and reserve \$90,500 of its fund balance at December 31, 2006 to address these expenditures.

### THE AUTHORITY'S FUNDS

The Authority uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Authority is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Authority's overall financial health.

The Authority completed this year with a fund balance of \$164,450, an increase of \$84,886 from last year.

The Enterprise Fund accounts for all of the Authority's services.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At December 31, 2006, the Authority had \$525,917 invested in a broad range of capital assets, including buildings and equipment. This amount represents a net decrease of \$64,611.

	<u>2006</u>	<u>2005</u>
Buildings and Improvements	\$ 32,790	\$ 32,790
Machinery and Equipment	852,464	852,464
Office Equipment	3,388	3,388
Total Capital Assets	888,642	888,642
Less Accumulated Depreciation	362,725	298,114
Net Capital Assets	<u>\$ 525,917</u>	<u>\$ 590,528</u>

### Debt Administration

As disclosed in the notes of the financial statements, the Authority has no long-term debt.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Authority amended the budget to take into account events during the year.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

We anticipate no increase in special assessment revenue and the balance of the revenue from standby fees and calls to be about the same. Next year's budget anticipates a decrease in income of approximately \$1,500. The Authority's board anticipates expenses will rise with the cost of wages, fuel, and insurance being the hardest costs to control. The fiscal 2007-year is budgeting a deficit of approximately \$69,000. This deficit is the result of capital expenditures that were delayed from 2006 and will occur in 2007, because of extenuating circumstances (availability and timing).

## CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is intended to provide the citizens that we serve with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Authority by calling the Marathon Township Hall and the Authority's Chairman, Kim Brown or the Treasurer, Sandi Glesenkamp.

# Marathon Area Fire Authority

## Statement of Net Assets (Deficit)

December 31, 2006

	<u>Primary Government Governmental Activities</u>
<u>Assets</u>	
Cash & Cash Equivalents	\$ 176,044.17
Deposit on Construction	900.00
Capital Assets (Net of Accumulated Depreciation)	<u>525,917.01</u>
Total Assets	702,861.18
<u>Liabilities</u>	
Accounts Payable	\$ 2,234.11
Accrued Wages	<u>10,260.00</u>
<u>Total Liabilities</u>	<u>12,494.11</u>
<u>Net Assets (Deficit)</u>	
Invested in Capital Assets - Net of Related Debt	525,917.01
Unrestricted	<u>164,450.06</u>
<u>Total Net Assets (Deficit)</u>	<u>\$ 690,367.07</u>

The notes are an integral part of the statements.



# Marathon Area Fire Authority

## Statement of Activities

For the Year Ended December 31, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue & Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Governmental Activities
Primary Governmental Activities:					
Public Safety	\$ 178,410.48	\$ 48,220.77	\$ -	\$ -	\$ (130,189.71)
Interest on Long-Term Debt	-	-	-	-	-
<u>Total Governmental Activities</u>	<u>\$ 178,410.48</u>	<u>\$ 48,220.77</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(130,189.71)</u>
General Revenues:					
Special Assessments					\$ 140,287.50
Interest					2,363.48
Other Revenues					7,813.95
					<u>150,464.93</u>
Total General Revenues, Special Items & Transfers					20,275.22
Change in Net Assets					670,091.85
Net Assets (Deficit) - Beginning of Year					\$ 690,367.07
Net Assets (Deficit) - End of Year					

The notes are an integral part of the statements.

# Marathon Area Fire Authority

Governmental Funds

Balance Sheet

December 31, 2006

	Fire Authority Fund	Totals Governmental Funds
<b><u>Assets</u></b>		
Cash & Certificates of Deposit	\$ 176,044.17	\$ 176,044.17
Deposit on Construction	900.00	900.00
<b><u>Total Assets</u></b>	<b>\$ 176,944.17</b>	<b>\$ 176,944.17</b>
<b><u>Liabilities &amp; Fund Equity</u></b>		
<b><u>Liabilities</u></b>		
Accounts Payable	\$ 2,234.11	\$ 2,234.11
Accrued Wages	10,260.00	10,260.00
<b><u>Total Liabilities</u></b>	<b>12,494.11</b>	<b>12,494.11</b>
<b><u>Fund Equity</u></b>		
Fund Balance		
- Designated for Capital Improvements	90,500.00	90,500.00
- Unreserved & Undesignated	73,950.06	73,950.06
<b><u>Total Fund Balances</u></b>	<b>164,450.06</b>	<b>164,450.06</b>
<b><u>Total Liabilities &amp; Fund Equity</u></b>	<b>\$ 176,944.17</b>	<b>\$ 176,944.17</b>

The notes are an integral part of the statements.

# **Marathon Area Fire Authority**

Governmental Funds  
Reconciliation of Fund Balances to the  
Statement of Net Assets (Deficit)  
For The Year Ended December 31, 2006

<b>Total Fund Balances for Governmental Funds</b>	<b>\$ 164,450.06</b>
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Amounts reported for Governmental Activities in the Statement of  
Net Assets (Deficit) are different because:

Capital Assets used in Governmental Activities are not Financial Resources and are not reported in the Funds	<u>525,917.01</u>
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<b>Net Assets of Governmental Activities</b>	<b><u><u>\$ 690,367.07</u></u></b>
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The notes are an integral part of the statements.

**Marathon Area Fire Authority**  
Governmental Funds  
Statement of Revenues, Expenditures, And Changes  
in Fund Balances  
For The Year Ended December 31, 2006

	<b>Fire Authority Fund</b>	<b>Totals Governmental Funds</b>
<b><u>Revenues</u></b>		
Special Assessments	\$ 140,287.50	\$ 140,287.50
Standby Fees	25,000.00	25,000.00
Charges for Fire Runs	23,220.77	23,220.77
Interest Earnings	2,363.48	2,363.48
Grant Proceeds	-	-
Miscellaneous	7,813.95	7,813.95
<u>Total Revenues</u>	<u>198,685.70</u>	<u>198,685.70</u>
<b><u>Expenditures</u></b>		
Public Safety	113,799.49	113,799.49
Capital Outlay	-	-
Debt Service	-	-
<u>Total Expenditures</u>	<u>113,799.49</u>	<u>113,799.49</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	84,886.21	84,886.21
<b><u>Other Financing Sources (Uses)</u></b>		
Operating Transfers In (Out)	-	-
<b>Net Change in Fund Balances</b>	84,886.21	84,886.21
<b><u>Fund Balance - Beginning of Year</u></b>	<u>79,563.85</u>	<u>79,563.85</u>
<b><u>Fund Balance - End of Year</u></b>	<u>\$ 164,450.06</u>	<u>\$ 164,450.06</u>

The notes are an integral part of the statements.

**Marathon Area Fire Authority**  
Governmental Funds  
Reconciliation of Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For The Year Ended December 31, 2006

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 84,886.21</b>
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Amounts reported for Governmental Activities in the Statement of  
Activities are different because:

Governmental Funds report Capital Outlays as Expenditures;  
in the Statement of Activities, these costs are capitalized and  
allocated over their estimated useful lives as Depreciation

Depreciation is an Expenditure for the Statement of Activities, but is not reported in the Governmental Funds	<u>(64,610.99)</u>
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<b>Change in Net Assets of Governmental Activities</b>	<b><u><u>\$ 20,275.22</u></u></b>
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# **Marathon Area Fire Authority**

Notes to the Financial Statements  
For The Year Ended December 31, 2006

The accounting methods and procedures adopted by the Fire Authority of Marathon Area Fire Authority, Lapeer County, Michigan, conform to generally accepted accounting principles as applied to executive entities. The following notes to the financial statements are an integral part of the Fire Authority's Comprehensive Annual Financial Report.

## **1. Summary of Significant Accounting Policies**

### **Financial Reporting Entity**

The Marathon Area Fire Authority was created in November of 1993 to provide fire protection to the residents of Marathon Township, the Village of Columbiaville, and the Village of Otter Lake. The agreement was adopted pursuant to authority granted the township under P.A. 7 of 1967, known as the Urban Cooperation Act of 1967.

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) in its Statement No. 14, the Marathon Area Fire Authority is not considered to be part of any other governmental entity for financial reporting purposes. The criteria established by GASB for determining the various organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public services, fiscal independence, financial accountability, imposition of will and financial benefit or burden. On this basis, the financial statements of other governmental organizations are not included in the financial statements of the Marathon Area Fire Authority.

**Component Units** - In accordance with generally accepted accounting principles, there are no component units of Government required to be included in the Financial Reporting Entity either as blended component units or discretely presented component units.

### **Government-wide and Fund Statements Fund**

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the Fire Authority (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, and Fiduciary Funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Fire Authority reports the following major governmental funds:

**Fire Authority Fund** – This fund accounts for resources devoted to financing the general services that the Fire Authority performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the Fire Authority are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

# Marathon Area Fire Authority

Notes to the Financial Statements  
For The Year Ended December 31, 2006

## Measurement Focus and Basis of Accounting

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the Fire Authority. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

**Cash** - The Fire Authority does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Fire Authority's investments.

**Investments** - Debt securities are valued at cost since it is generally the policy of the Fire Authority to hold such investments until they mature.

**Vacation, Sick Leave, & Other Compensated Absences** - The Fire Authority does not have any contracts or agreements with its employees or elected officials which require the payment of compensation during absence from duty nor do any such benefits vest to the right of the employee or elected official.

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Government-wide and Fund Financial Statements.

**Capital Assets** - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the Fire Authority as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings & Building Improvements	35 to 40 years
Machinery & Equipment	3 to 20 years

**Long-Term Obligations** - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

# Marathon Area Fire Authority

Notes to the Financial Statements  
For The Year Ended December 31, 2006

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

## Accounting Changes

**GASB Statement No. 34** – Effective January 1, 2003, the Fire Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the Fire Authority's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the Fire Authority's overall financial position and results of operations has been included.
- Government-wide Financial Statements (statement of net assets (deficit) and statement of activities) prepared using full accrual accounting for all of the Fire Authority's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets (deficit) includes assets not previously accounted for by the Fire Authority. In addition, the governmental activities column includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.



# Marathon Area Fire Authority

Notes to the Financial Statements  
For The Year Ended December 31, 2006

## 2. Stewardship, Compliance, and Accountability

### Budgetary Information

The Fire Authority is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Prior to January 1, the Fire Authority Chief Administrative Officer submits to the Fire Authority Board a proposed operating budget for the fiscal year commencing January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to January 1, the budget is legally enacted.
4. The budget is used by the Fire Authority Board as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level.
5. Budget amounts are as originally adopted, and as amended by the Fire Authority Board.

In the body of the financial statements, the Fire Authority's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budget was adopted to the department level. Budgets for these funds are shown in the supplemental schedules to this statement.

During the year ended December 31, 2006, the Fire Authority incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
Equipment Repairs & Supplies	\$ 15,000	\$ 15,977	\$ 977

# Marathon Area Fire Authority

Notes to the Financial Statements  
For The Year Ended December 31, 2006

## 3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Fire Authority has designated two banks for the deposit of Fire Authority funds. The Board has authorized investment in bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Fire Authority's deposits are in accordance with statutory authority. All cash deposits and investments of the Fire Authority are held by the Fire Authority in the Fire Authority's name.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Total Primary Government</u>
Cash & Cash Equivalents	\$ 176,044	\$ 176,044

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (Checking & Savings Accounts, CDs)	\$ 176,044

The bank balance of the primary government's deposits is \$176,044, of which \$176,044 is covered by federal depository insurance and \$-0- is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the Township's name.

The GASB Statement 3 risk disclosures for the Local Unit's investments are as follows:

Investment Type	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>	<u>Market Value</u>
NONE					

The cash and investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1 Insured or registered, or securities held by the Township or its agent in the Township's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Township's name.

# Marathon Area Fire Authority

Notes to the Financial Statements  
For The Year Ended December 31, 2006

## 4. Interfund Receivables, Payables, & Transfers

There was no interfund activity.

## 5. Capital Assets

Capital Assets activity of the Fire Authority's governmental activities (and business-type) was as follows:

	Balance January 1, 2006	Additions	Disposals & Adjustments	Balance December 31, 2006
<b>Governmental Activities:</b>				
Capital Assets Being Depreciated:				
Buildings & Improvements	\$ 32,790	\$ -	\$ -	\$ 32,790
Machinery & Equipment	852,464	-	-	852,464
Office Equipment	3,388	-	-	3,388
Total Capital Assets being Depreciated	888,642	-	-	888,642
Accumulated Depreciation:				
Buildings & Improvements	2,050	820	-	2,870
Machinery & Equipment	292,676	63,791	-	356,467
Office Equipment	3,388	-	-	3,388
Total Accumulated Depreciation	298,114	64,611	-	362,725
Net Capital Assets	\$ 590,528	\$ (64,611)	\$ -	\$ 525,917

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
Public Safety	\$ 64,611
Total Governmental Activities	\$ 64,611

## 6. Long -Term Debt

The Fire Authority has no Long-Term Debt

## 7. Deficit Fund Balance or Retained Earnings Balances of Individual Funds

None

## 8. Post Employment Benefits

The Fire Authority does not provide any post employment benefits.

# Marathon Area Fire Authority

Notes to the Financial Statements  
For The Year Ended December 31, 2006

## 9. Risk Management

The Fire Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The Fire Authority has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

## 10. Leases of Fire Halls and Equipment

The Fire Authority has entered into a lease agreement with the Village of Columbiaville whereby the Fire Authority has leased the land and building comprising the Village of Columbiaville fire hall and all active fire trucks, equipment, machinery, apparatus, uniforms, clothing, furnishings and personal property of the Columbiaville Fire Department. The lease expires on December 31, 2019 and calls for an annual lease payment of one (\$1.00) dollar.

The Fire Authority has also entered into a lease agreement with the Village of Otter Lake whereby the Fire Authority has leased the land and building comprising the Village of Otter Lake fire hall and all fire trucks, equipment, machinery, apparatus, uniforms, clothing, furnishings and personal property of the Village of Otter Lake Fire Department. The lease expires on December 31, 2019 and calls for an annual lease payment of one thousand nine hundred and one (\$1,901.00) dollars for each of the first ten years and an annual lease payment of one (\$1.00) dollar thereafter.

## 11. Reserves, Designations, and Restrictions of Fund Balance and Net Assets

*Reserves*- Reserved fund balances are legal restrictions on fund balance imposed by sources outside the Fire Authority, which typically involve donor restrictions for specific purposes on Fire Authority financial resource.

*Designations* - Designated fund balances are restrictions imposed by the Fire Authority on the use of fund balance for specific purposes.

*Restricted Net Asset* - Restricted Net Assets on the Statement of Net Assets are similar to reserved fund balance in that a portion of net assets are legally restricted for a specific purpose as imposed by sources outside of the Fire Authority.

The schedule of reserved, designated and restricted fund balance and net assets is as follows:

	Designated Fund Balance	Restricted Net Assets
Governmental Activities:		
Capital Improvements	\$ 90,500	\$ -
	<u>\$ 90,500</u>	<u>\$ -</u>

The Fire Authority has Designated the budgeted Capital Outlay for 2007 as of December 31, 2006. The amount to be designated for Capital Improvements, which includes vehicle replacement and building improvements, is \$90,500.

### **Required Supplemental Information**

# Marathon Area Fire Authority

Required Supplemental Information

Budgetary Comparison Schedule

Fire Authority Fund

For The Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b><u>Revenues</u></b>				
Special Assessments	\$ 140,500.00	\$ 140,000.00	\$ 140,287.50	\$ 287.50
Standby Fees	25,000.00	25,000.00	25,000.00	-
Charges for Fire Runs	15,000.00	15,500.00	23,220.77	7,720.77
Interest Earnings	500.00	500.00	2,363.48	1,863.48
Grant Proceeds	-	-	-	-
Miscellaneous	300.00	300.00	7,813.95	7,513.95
<b><u>Total Revenues</u></b>	<u>181,300.00</u>	<u>181,300.00</u>	<u>198,685.70</u>	<u>17,385.70</u>
<b><u>Expenditures</u></b>				
Fire Protection:				
Wages	68,588.00	68,588.00	53,940.50	14,647.50
Payroll Taxes	5,120.00	5,120.00	4,000.21	1,119.79
Building & Equipment Leases	2.00	2.00	2.00	-
Office Supplies	1,200.00	1,200.00	309.51	890.49
Vehicle Expense	7,500.00	7,500.00	4,582.71	2,917.29
Utilities	13,500.00	13,500.00	11,980.49	1,519.51
Insurance	30,000.00	28,800.00	16,322.00	12,478.00
Training	2,000.00	2,000.00	1,137.24	862.76
Professional Fees	2,000.00	3,000.00	2,485.76	514.24
Equipment Repairs & Supplies	15,000.00	15,000.00	15,977.36	(977.36)
Repairs & Maintenance - Buildings	4,000.00	4,000.00	880.74	3,119.26
Safety Promotion	800.00	800.00	588.00	212.00
Physicals	1,000.00	1,000.00	126.00	874.00
Dues & Subscriptions	1,200.00	1,200.00	897.95	302.05
Miscellaneous	1,390.00	1,590.00	569.02	1,020.98
Capital Outlay	28,000.00	28,000.00	-	28,000.00
Debt Service	-	-	-	-
<b><u>Total Expenditures</u></b>	<u>181,300.00</u>	<u>181,300.00</u>	<u>113,799.49</u>	<u>67,500.51</u>
<b><u>Excess Revenues Over (under) Expenditures</u></b>	<u>-</u>	<u>-</u>	<u>84,886.21</u>	<u>84,886.21</u>
<b>Fund Balance - Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>79,563.85</u>	<u>79,563.85</u>
<b>Fund Balance - End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,450.06</u>	<u>\$ 164,450.06</u>

The notes are an integral part of the statements.

LEHN L. KING  
CERTIFIED PUBLIC ACCOUNTANT

3531 MAIN STREET  
MARLETTE, MICHIGAN 48453

Phone 989-635-3113  
Fax 989-635-5580

May 17, 2007

Members of the Township Board  
**Marathon Area Fire Authority**  
Lapeer County, Michigan

Board Members:

In accordance with your request, I have made an examination of the financial statements of Marathon Area Fire Authority for the fiscal year ended December 31, 2006. During the course of my examination, no items came to my attention.

I thank the Fire Authority officials for the cooperation I received in the completion of this examination. Should you have any questions in connection with the above, please contact me at your convenience.

Sincerely,

*Lehn King*

Lehn L. King  
Certified Public Accountant